Financial Transactions and Reports Analysis Centre of Canada

2017–18

Departmental Plan

The Honourable William Francis Morneau, P.C., M.P.
Minister of Finance

© Her Majesty the Queen in Right of Canada,
as represented by the Minister of Finance, 2017

Catalogue No. FD2-3E-PDF
ISSN 2371-5944
This report is published separately in both official languages.
Copies are available on the FINTRAC
website at http://www.fintrac-canafe.gc.ca

Table of Contents

Director's message 3

Plans at a glance 5

Raison d'être, mandate and role: who we are and what we do 9

- Raison d'être 9
- Mandate and role 9

Operating context: conditions affecting our work 11

Key risks: things that could affect our ability to achieve our plans and results 13

Planned results: what we want to achieve this year and beyond 17

- Programs 17
- Internal Services 24

Spending and human resources 27

- Planned spending 27
- Planned human resources 30
- Estimates by vote 30
- Future-Oriented Condensed Statement of Operations 31

Supplementary information 33

- Corporate information 33
- Supplementary information tables 33
- Federal tax expenditures 34
- Organizational contact information 34

Appendix A: definitions 35

Endnotes 39

Director's message

To improve reporting to Canadians, the Government of Canada is introducing a new, simplified report to replace the Report on Plans and Priorities: the Departmental Plan (DP). The DP communicates annual performance goals and the financial and human resources forecast to deliver those results in a more straightforward and balanced story of the actual results we are trying to achieve, while continuing to provide transparency on how tax payers' dollars will be spent. This new format allows us to describe our programs and services for Canadians, along with our priorities, and how our work will fulfill our mandate commitments and the government's priorities. The DP provides parliamentarians and Canadians with information on what we do and the results we plan to achieve during the upcoming year.

And so I am pleased to present the 2017–18 Departmental Plan (DP) for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), an outline of our corporate direction for the coming year.

As Canada's financial intelligence unit, FINTRAC plays a critical role in combating money laundering, terrorism financing and threats to the security of Canada. As we enter our seventeenth year in operation, we have reached a seminal point in our evolution from a fledging agency to an internationally respected financial intelligence unit.

It is in this context that we have introduced a new vision for FINTRAC, along with a new strategic plan. Our goal is to be the leader in the exploitation of financial intelligence.

Our vision and strategic objectives will sharpen our focus on people, partnerships and expertise in 2017–18 and the years to come. By aligning our business processes, we will continue to improve the richness of our data holdings and strengthen our operational effectiveness as we seek to achieve real and demonstrable results for Canadians.

I invite you to read this report to learn about our plans and priorities for the 2017–18 fiscal year.

Gérald Cossette
Director

Plans at a glance

In 2016, FINTRAC introduced a new strategic plan to support its vision and to guide the Centre's activities for the next three years. The plan articulates an ambitious transformation agenda with strategic objectives that challenge the Centre to examine the effectiveness of its programs and renew its technologies and processes. These strategic objectives along with some of the key supporting initiatives that will enable the Centre to realize its vision are summarised below.

Strategic Objective: Maximize the potential of our people

The global financial sector is rapidly evolving, becoming increasingly transnational and technologically innovative. At the same time, the perpetrators of money laundering and terrorism financing are also becoming more sophisticated. In order to fully exploit financial intelligence opportunities in the face of these emerging realities, we must maximize the potential of our greatest asset – our people

FINTRAC Priorities	Key Supporting Initiatives
Grow our talent and renew our workforce	Continue implementation of the FINTRAC Strategic Human Resource Plan 2016–2019, which articulates the key people management strategies that will enable the Centre to achieve its operational priorities.
	Develop and implement a robust complement of learning opportunities that support the Centre's transformation agenda and advance its Compliance and Financial Intelligence programs.
	Complete implementation of the Centre's 2014 Public Service Employee Survey (PSES) Action Plan and prepare for the 2017 survey. The PSES provides concrete measures for evaluating the effectiveness of people management activities, and is leveraged as a powerful employee engagement tool.

Strategic Objective: Strengthen and expand our partnerships

FINTRAC's financial intelligence supports Canada's broader policing, national security and foreign policy priorities, including in relation to the links between money laundering and criminal activity, and the resourcing of terrorist groups. It is critical that FINTRAC continue to reach out to businesses, regime partners, international and domestic stakeholders and academia

to ensure that the role of financial intelligence and the contribution it makes to the fight against money laundering and terrorist financing is clearly understood.

FINTRAC Priorities	Key Supporting Initiatives
Achieve compliance through collaboration and increased transparency	Enhance joint assessments in partnership with the Office of the Superintendent of Financial Institutions (OSFI)
	Review policies, processes and legislative authorities related to administrative monetary penalties (AMP) in order to increase the regime's effectiveness in ensuring compliance and encouraging change in behaviours
Harness the power of financial intelligence	Expand strategic partnerships with businesses, regime partners, international and domestic stakeholders, and academia to share expertise on money laundering and terrorism financing. Working closely with these partners will keep FINTRAC aware of their most pressing priorities and will assist in identifying vulnerabilities that may need to be addressed to strengthen the regime.
Facilitate partner collaboration to achieve common objectives	Cultivate relationships with international partners to enhance information exchange and expand our footprint to tackle transnational crime and cross-border movement of terrorism funding.
	Develop innovative mechanisms, including the use of social media, for engagement with key domestic and international partners for the purpose of increasing awareness, training and enhancing information sharing.
	In collaboration with the Department of Finance and other anti-money laundering and anti-terrorist financing (AML/ATF) regime partners, identify areas of improvement for the regime and develop policy proposals that are forward-looking, adaptable and resilient. These proposals may then be considered as part of the 2017 Parliamentary Review of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and in addressing the deficiencies identified in the Financial Action Task Force's (FATF) Mutual Evaluation of Canada.

Strategic Objective: Leverage our expertise to anticipate and address future challenges

Given FINTRAC's role as Canada's financial intelligence unit, the Centre is uniquely positioned to provide a wide analytic perspective on the evolving nature, scope and threat posed by money laundering and terrorism financing. By continuing to modernize our business model and processes we will enable further innovation in our analysis and provide the tools to deepen our insights.

FINTRAC Priorities	Key Supporting Initiatives
Modernize the Centre's analysis and systems to support an ever-changing environment	Optimize business processes and systems to strengthen information exchange and dynamically respond to emerging challenges and opportunities.
	Provide FINTRAC's intelligence analysts with customized tools and training by modernizing the technological infrastructure and adopting new practices and methods that support the Centre's ability to produce high-quality financial intelligence.
	Enable the Centre's transformation agenda (including analytics system modernization, data loss prevention, and the transformation of back-office operations) through increased collaboration.

In addition, FINTRAC will be exploring opportunities for deliberate experimentation, innovation and measured risk-taking to strengthen the Centre's ability to deliver its programs. By investing program funds in these new approaches, FINTRAC is demonstrating its continued commitment to the innovation cycle of utilizing new approaches, gathering data, sharing results and making iterative and continuous improvements in all of its operational programs and internal services activities.

An example of this approach to innovation is FINTRAC's successful implementation and usage of ePost Connect as the Centre's corporate document sharing solution for external communication. Through a rigorous proof of concept and piloting phase, ePost Connect demonstrated its potential to replace several inefficient and expensive paper-based methods for sharing corporate documents by providing an effective electronic service solution that is both user-friendly and easily scalable. Over the first four months of full implementation, the solution has continued to exceed expectations resulting in time savings of over 90% in the time it takes FINTRAC officers to transmit corporate documents to key private sector stakeholders.

For more information on the FINTRAC's plans, priorities and the planned results, see the "Planned results" section of this report.

Raison d'être, mandate and role: who we are and what we do

Raison d'être

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit (FIU). The Centre assists in the detection, prevention and deterrence of money laundering and the financing of terrorist activities. FINTRAC's financial intelligence and compliance functions are a unique contribution to the safety of Canadians and the protection of the integrity of Canada's financial system.

FINTRAC acts at arm's length and is independent from the police services, law enforcement agencies and other entities to which it is authorized to disclose financial intelligence. It reports to the Minister of Finance, who is in turn accountable to Parliament for the activities of the Centre.

Mandate and role

FINTRAC was established by, and operates within the ambit of, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and its Regulations. The Centre is one of several domestic partners in Canada's anti-money laundering and anti-terrorist financing (AML/ATF) regime, which is led by the Department of Finance.

Vision

To be the leader in the exploitation of financial intelligence

Responsibilities

FINTRAC fulfills its mandate by engaging in the following activities:

- Receiving financial transaction reports and voluntary information in accordance with the legislation and regulations;
- Safeguarding personal information under its control;
- Ensuring compliance of reporting entities with the legislation and regulations;
- Maintaining a registry of money services businesses in Canada;
- Producing financial intelligence relevant to investigations of money laundering, terrorist activity financing and threats to the security of Canada;
- Researching and analyzing data from a variety of information sources that shed light on trends and patterns in money laundering and terrorist activity financing; and
- Enhancing public awareness and understanding of money laundering and terrorist activity financing.

In addition, FINTRAC is part of the Egmont Group, an international network of financial intelligence units that collaborate and exchange information to combat money laundering and terrorist activity financing. FINTRAC also contributes to other multilateral fora such as the Financial Action Task Force (FATF), the Asia-Pacific Group on Money Laundering (APG) and the Caribbean Financial Action Task Force (CFATF), participating in international policy making and the provision of technical assistance to other FIUs.

FINTRAC is headquartered in Ottawa, with regional offices located in Montréal, Toronto, and Vancouver.

For more general information about FINTRAC, see the "Supplementary information" section of this report.

Protecting the Privacy of Canadians

The protection of the personal information entrusted to FINTRAC is an overarching and fundamental consideration in all aspects of the Centre's operations. The PCMLTFA establishes stringent rules that govern the management, disclosure and destruction of all information contained in the Centre's transaction reports and other records. All facets of FINTRAC's operations are subject to rigorous security measures that ensure the safeguarding of the Centre's physical premises and IT systems, including the handling, storage and retention of all personal and other sensitive information under its control.

The legislation also establishes that the Centre can only make a financial intelligence disclosure to police services, and to law enforcement and national security agencies identified in the PCMLTFA, as well as provincial securities regulators. Furthermore, the PCMLTFA clearly defines what information can be disclosed and sets out specific thresholds that must be met before FINTRAC is authorized to disclose. Any unauthorized use or disclosure of information is prohibited and can result in severe penalties, including a fine of up to $500,000 and/or up to five years' imprisonment for FINTRAC employees or persons conducting work for or on behalf of FINTRAC.

FINTRAC's premises and information systems in Ottawa, Montréal, Toronto and Vancouver are protected by multi-layered and integrated security systems. All personnel must obtain and maintain a security clearance at the highest level of integrity as a condition of employment. Access to sensitive information is on a need-to-know basis. Responsibilities involving the protection of personal information are clearly communicated and measures are in place to ensure that responsibilities in relation to the protection of personal information are formally acknowledged by all personnel.

As required pursuant to the PCMLTFA, the Office of the Privacy Commissioner (OPC) reviews FINTRAC's information protection measures every two years. The third review of the OPC is currently underway and is expected to be completed in 2017–18. FINTRAC welcomes the Privacy Commissioner's audit of its operations and looks forward to any recommendations that will assist the Centre in strengthening its comprehensive approach to safeguarding personal information.

Operating context: conditions affecting our work

The world's financial systems are rapidly evolving, becoming increasingly transnational and technology-enabled. The volume of international transfers to developing countries has increased significantly and the number of online transactions is estimated to have doubled since 2010. Technology companies are now entering the financial services markets and the use of digital currencies is on the rise. With global remittances in the billions, organized crime groups, cyber criminals, human traffickers and terrorist organizations, among others, are growing more sophisticated, seeking to manipulate any vulnerability to their advantage.

Similarly, the global terrorism threat environment is multifaceted and fluid, marked by international political and civil unrest in several regions. The rise of the so-called Islamic State of Iraq and the Levant (ISIL), referred to in this report as Daesh (its Arabic acronym), and other terrorist organizations, an increase in the recruitment and financing activities of foreign terrorist fighters, and effective radicalization tactics that incite domestic acts of terrorism complicate the work of FINTRAC and its partners at home and abroad.

Amendments to the PCMLTFA in 2014 and 2015 enhanced FINTRAC's ability to disclose financial intelligence to regime partners on threats to the security of Canada and provided the Centre with the ability to disclose information to provincial securities regulators. With the implementation of Budget 2014 and 2015, the Government also announced that new regulations would be developed, including in relation to domestic politically exposed persons and entities dealing in virtual currencies. Furthermore, in light of new and developing threats, the Department of Finance has signalled its intention to review various aspects of the anti-money laundering and anti-terrorist financing (AML/ATF) regime.

As the financial system continues to evolve rapidly, FINTRAC is in the process of transforming and aligning its operations and business processes in order to increase its efficiency and effectiveness. The modernization of the Centre's analytics system is a key priority of FINTRAC's transformation agenda and its impact will be sweeping and long lasting: it will bring significant efficiency through the automation of manual work and it will allow for the full use of

the Centre's data and knowledge. FINTRAC's new analytics system is expected to be in production in 2017–18.

Key risks: things that could affect our ability to achieve our plans and results

As Canada's financial intelligence unit and a partner in Canada's anti-money laundering and anti-terrorist financing regime, FINTRAC operates in a dynamic, constantly changing environment. In seeking to be proactive in identifying risks and opportunities, FINTRAC must anticipate and assess internal and external risk factors that can affect the design and delivery of its programs and the achievement of its strategic outcome.

In recent years, FINTRAC has broadened its understanding of the corporate risks associated with its operational environment. In general, these risks are well identified and the associated risk response activities are integrated and stable. FINTRAC's current risk management strategies aim to reduce the probability of occurrence and provide a greater level of comfort with the remaining risk exposure.

FINTRAC's planning approach to the identification, assessment and management of risks supports the use of risk information on a systematic and continuous basis and allows for oversight and collaboration in managing common risk elements. In reviewing its corporate risk profile, the Centre maintained its existing risk areas for 2017–18, but identified resource management as the risk area with the greatest significance to FINTRAC in relation to achieving its objectives.

Over the next few years, the Centre will face growing operating pressures due to increasing expenses of implementing government-wide technology centric investments and, as a fully reimbursing client of Public Services and Procurement Canada (PSPC), bearing the rising cost of office accommodations, building maintenance and leasehold improvements. To date, however, the impact has been managed through the following actions and mitigation strategies:

- Managers have been asked to identify and implement opportunities for efficiencies to offset a higher cost of operations; and
- FINTRAC management has developed rigorous control and reporting mechanisms to monitor spending including, for example, additional oversight to ensure that spending for travel, conferences and hospitality remain within sustainable levels.

Risks	Risk response strategy	Link to the department's Programs	Link to mandate letter commitments or government-wide and departmental priorities
Resource Management – FINTRAC's ability to successfully deliver its programs is directly linked to the adaptability, skills and engagement of its employees, and the tools and resources that are available to support their work.	FINTRAC places a strong focus on the effective management of both human and financial resources especially during periods of change and transformation. As a small organization, FINTRAC faces a number of challenges and limitations regarding its human resources capacity and its flexibility to cash manage funds. To ensure that FINTRAC is able to manage its resource management risks and ensure the effective stewardship of public resources, the Centre employs a range of controls, including: • Budget and resource allocations to sectors/directorates/initiatives established by the Centre's Executive Committee, representing the most senior level of executive management; • Guidance of the Chief Human Resources Officer and the Chief Financial Officer – as members of FINTRAC's Executive Committee and as leaders of robust frameworks of people and financial management; and • HR planning strategies that include annual demographics analysis and staffing forecasts to anticipate and respond to capacity and change management issues.	• Financial Intelligence Program • Compliance Program • Internal Services	FINTRAC priorities: • Grow our talent • Renew our workforce • Facilitate partner collaboration to achieve common objectives
Business Processes and Systems – FINTRAC's ability to deliver its mandate is dependent on the availability and use of key business processes and systems, many of which are currently undergoing transformation.	Until the completion of the Analytics Modernization Project, FINTRAC will continue to rely on existing, aging infrastructure for the analysis and production of financial intelligence. As FINTRAC's infrastructure is now an asset of Shared Services Canada (SSC), FINTRAC works closely with SSC to ensure uninterrupted availability of its analytical systems and business processes during the transformation period. To address ongoing risks, FINTRAC employs a number of important safeguards and controls, including: • Optimizing the use of existing systems and tools through training and awareness, and enhanced internal communications; • Conducting technical analysis to ensure the Centre has the tools and resources required to address day-to-day operational issues and to provide input into future business processes and systems; • Focusing on strategic planning and management of the ongoing Analytics Modernization Project to ensure delivery of a timely solution; and • Leveraging SSC's support and expertise on all information technology related initiatives including SSC Workload Migration, Analytics modernization implementation and the broader Government of Canada Business Continuity maintenance and recovery strategy.	• Financial Intelligence Program • Compliance Program • Internal Services	FINTRAC priority: • Modernize analysis and systems to support an ever-changing environment Budget 2016: • Investing in government information technology

Risks	Risk response strategy	Link to the department's Programs	Link to mandate letter commitments or government-wide and departmental priorities
Relationships – FINTRAC depends on relationships with external partners to advance its priorities and initiatives and maximize its value to Canadians.	FINTRAC has mechanisms in place to align its work with the priorities of its partners; however partner organizations may alter their priorities at any time. In the case of law enforcement and national security partners, shifts in investigative priorities may impact the usefulness of FINTRAC disclosures. In other instances, partners' operational priorities may have an impact on FINTRAC's ability to implement its own priority initiatives. To ensure FINTRAC manages these relationship risks effectively, the Centre employs a number of controls including: • FINTRAC works with police, law enforcement and national security partners to build and maintain relationships, to ensure that priorities are understood and aligned, and to gather feedback; • FINTRAC develops and maintains functional working relationships with key stakeholders including reporting entities, industry associations, regulators and supervisors and regularly provides training through such vehicles as speaking engagements, sector focused forums, written guidance and other outreach; • FINTRAC also utilizes a comprehensive communications strategy incorporating multiple tools such as the Centre's use of social media to engage key domestic and international partners for the purpose of increasing awareness, training and enhancing information sharing; and • Through its contribution to policy development and operational discussions with the Department of Finance and other AML/ATF regime partners, the Financial Action Task Force, and the Egmont Group, FINTRAC engages in the exchange of knowledge and works to strengthen Canada's AML/ATF policy frameworks.	• Financial Intelligence Program • Compliance Program • Internal Services	FINTRAC priorities: • Achieve compliance through collaboration and increased transparency • Harness the power of financial intelligence • Facilitate partner collaboration to achieve common objectives Speech from the Throne (2015): • Security and Opportunity
Security and Privacy – The protection of information that FINTRAC receives, analyzes and discloses is an integral part of the Centre's mandate.	FINTRAC employs a comprehensive suite of safeguards and controls to address security and privacy risk from both internal and external threats. Some of the most important of these include: • FINTRAC's Personnel Security Program ensures that all personnel and contractors are screened to appropriate levels; • Security policies and procedures, and mandatory training and awareness activities are established to secure the Centre's information and systems. Access controls are also implemented to secure FINTRAC's facilities and infrastructure; • A Privacy Management Framework is in place to ensure that privacy protection is reflected in all aspects of program operations; and • Information Management and Security programs	• Internal Services	FINTRAC priorities: • Modernize analysis and systems to support an ever-changing environment • Facilitate partner collaboration to achieve common objectives Speech from the Throne (2015): • Security and Opportunity

Risks	Risk response strategy	Link to the department's Programs	Link to mandate letter commitments or government-wide and departmental priorities
	provide direction and guidance on the capture, storage, protection, access to, classification, dissemination and eventual disposition of all information at FINTRAC.		Budget 2016: • Strengthening the security of Government of Canada networks and cyber systems

Planned results: what we want to achieve this year and beyond

Programs

Strategic Outcome: A Canadian financial system resistant to money laundering and terrorist financing

PROGRAM 1.1: FINANCIAL INTELLIGENCE PROGRAM

Description

FINTRAC's Financial Intelligence Program, mandated by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), is a component of the broader national security and anti-crime agenda. The program strives to disrupt the ability of criminals and terrorist groups that seek to abuse Canada's financial system and to reduce the profit incentive of crime. The main method of intervention used by the program is to analyze reported financial transactions and other information the Centre is authorized to receive under the PCMLTFA to produce financial intelligence products including tactical case disclosures that are relevant to the investigation or prosecution of money laundering and terrorist activity financing , and strategic intelligence products that broaden understanding in respect to the nature, scope and threat posed by money laundering and terrorism financing.

Planning highlights

FINTRAC provides actionable financial intelligence, including case disclosures that assist in investigations of suspected money laundering, terrorism financing, and other threats to the security of Canada. In addition, the Centre supports the priorities of the AML/ATF regime and national security policy-making communities, domestic regime partners, and the broader security and intelligence community.

FINTRAC case disclosures contain designated information that identifies individuals and entities, as well as account and transaction information, where the Centre has reasonable grounds to suspect that the information would be relevant to the investigation and prosecution of money laundering or terrorist activity financing offences or the investigation of threats to the security of Canada. This financial intelligence is used to assist money laundering and terrorist activity financing investigations in the context of a wide variety of criminal investigations, where the origins of the suspected criminal proceeds are linked to drug trafficking, fraud, tax evasion, corruption, human trafficking and other criminal offences.

Increasingly, FINTRAC's financial intelligence is also used by investigative partners to identify assets for seizure and forfeiture, reinforce applications for the listing of terrorist entities, negotiate agreements at the time of sentencing and advance the government's knowledge of the financial dimensions of threats, organized crime, and terrorism.

FINTRAC also produces valuable strategic financial intelligence, providing a wide analytic perspective on the nature, scope and threat posed by money laundering and terrorism financing. Produced for the Canadian security and intelligence community, federal policy and decision-makers, reporting entities across the country, international partners and other stakeholders, the Centre's strategic financial intelligence is invaluable in strengthening Canada's ability to prevent, detect, deter and disrupt the methods and techniques used by criminals to launder money or fund terrorist activities.

FINTRAC's Financial Intelligence Program encompasses all of the Centre's financial intelligence activities. These activities are complemented by research; the development of strong relationships with Canadian government departments and agencies, and with international partners; and policy development, both domestically and internationally, including by contributing to reviewing Canada's legislation and regulations, and responding to the FATF mutual evaluation of Canada.

In order to achieve the expected results for 2017–18, FINTRAC plans to undertake the following activities during the planning period:

- Expand strategic partnerships with reporting entities, regulators, stakeholders, disclosure recipients, and policy makers.
- Cultivate relationships with international partners to enhance information sharing and to be the leader in anti-money laundering supervision and financial intelligence.
- Strengthen information exchange within FINTRAC to optimize our business processes and systems to dynamically respond to emerging challenges and opportunities.
- Enhance intelligence-led compliance activities to improve the quality of reporting data and support the production of financial intelligence.

Planned results

Expected results	Performance indicators	Target	Date to achieve target	Actual results		
				2013–14	2014–15	2015–16
Disclosures of financial intelligence make an important contribution to investigations of money laundering and terrorist financing.	Percentage of disclosure recipients indicating disclosure provided information that was helpful to the investigation.	80%	2017–18	96%	92%	92%
	Percentage of disclosure recipients indicating that information provided was actionable.	80%	2017–18	96%	94%	93%
Strategic financial intelligence products align with the priorities of investigators, intelligence analysts, policy and decision-makers.	Percentage of primary recipients indicating increased awareness and understanding of ML/TF subject matter as a result of FINTRAC's strategic financial intelligence products.	NA[1]	2017–18	80%	87%	N/A[2]

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2018–19 Planned spending	2019–20 Planned spending
$23,038,953	$24,123,606	$22,301,596	$20,446,038

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2018–19 Planned full-time equivalents	2019–20 Planned full-time equivalents
157	157	148

[1] The updated methodology for this indicator is being benchmarked in 2017-18, therefore no targets have been set.

[2] The actual result for this performance indicator is not available as the methodology is being reviewed.

PROGRAM 1.2: COMPLIANCE PROGRAM

Description

FINTRAC's Compliance Program is responsible for ensuring compliance with Part 1 and Part 1.1 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and associated Regulations. The Compliance Program utilizes a risk-based approach to deliver enforcement, and relations and support activities that help ensure compliance with legislative and regulatory obligations that apply to individuals and entities operating in Canada's financial system.

Planning highlights

FINTRAC's Compliance Program recognizes that the overall effectiveness of Canada's AML/ATF regime is built on FINTRAC's ability to produce financial intelligence that supports efforts by law enforcement and the security and intelligence community, and also on the Centre's efforts to ensure that compliance regimes detect and mitigate related risks. These two concepts place reporting entities at the centre of a continuous cycle of improvement and guide the Program's operational and strategic decision-making. "Compliance for Intelligence" promotes the submission of financial transaction reports with high quality, intelligence value, and timeliness. "Intelligence for Enforcement" drives the risk-based approach to identify high-risk reporting entities, which in turn informs the selection and application of the Centre's compliance assessment activities including examinations, administrative monetary penalties, non-compliance disclosures to law enforcement and other tools.

Intelligence for Enforcement helps ensure that more resources are directed at higher-risk reporting entities and that all compliance activities are proportionate given the likelihood and the consequence of non-compliance. According to the risk model, a reporting entity's likelihood of non-compliance is based on several factors surrounding their business profile, compliance history, reporting behaviour, and other intelligence from internal and external sources. The measures for the potential consequence of non-compliance look at a reporting entity's vulnerabilities to money laundering and terrorist financing along with the overall impact on Canada's financial system should an entity not comply with its PCMLTFA obligations. The identification of high-risk reporting entities through the risk model is fine-tuned through the collection and assessment of various internal and external sources of information, and its integration into the Centre's compliance activities. The resulting compliance intelligence also provides insight into the presence, nature and severity of non-compliance for individual reporting entities, as well as recommendations for next steps. This in-depth understanding of the risks is used to ensure that compliance activities are proportionate and focused in areas assessed to be at

higher risk of non-compliance. Assessments can then be used to work reactively and proactively with reporting entities.

FINTRAC's compliance activities, described below, have evolved to focus on providing reporting entities with an assessment of their own compliance programs. This assessment helps draw links between a reporting entity's compliance program and the information that FINTRAC needs to fulfil its obligation.

To ensure compliance with the PCMLTFA and the production of actionable financial intelligence, FINTRAC undertakes a suite of risk-based activities including guidance, feedback, assessment and enforcement actions based on a sector's level of knowledge regarding its obligations and past compliance behaviour. The intensity of activity is based on the risks associated with non-compliance. Activities are categorized into two main themes:

- Enabling Compliance: To ensure reporting entities receive effective guidance and feedback, and to help them fully understand their legal obligations, FINTRAC participates in numerous speaking events, presentations, and workshops, as well as provides a comprehensive set of guidance tools, including guidelines and Operational Alerts and Briefs, produced collaboratively within the Centre. Reporting entities and other stakeholders can also request policy interpretations with respect to the PCMLTFA and associated Regulations administered by FINTRAC based on their own specific situations and set of facts. Lastly, FINTRAC also provides reporting entities with guidance and feedback on their reports submitted, thus enabling clarity surrounding the PCMLTFA and associated Regulations.

- Assessing and Enforcing Compliance: FINTRAC uses a range of compliance activities to ensure that businesses are fulfilling their PCMLTFA obligations, including observation letters, reporting entity validations, the monitoring of reports, compliance meetings, compliance assessment reports, examinations, follow-up examinations, administrative monetary penalties and non-compliance disclosures to law enforcement agencies. When a reporting entity does not take appropriate measures to address significant non-compliance, FINTRAC may pursue additional actions, including follow-up examinations and administrative monetary penalties. FINTRAC's use of administrative monetary penalties has brought about significant behavioural changes in businesses of all sizes and in various sectors. The results of follow-up examinations conducted on previously penalized reporting entities have shown that, in most instances, these entities made demonstrable improvements in their level of compliance.

During the planning period, FINTRAC will undertake the following activities to support the

Centre's compliance priorities:

- Expand strategic partnerships with reporting entities, regulators, stakeholders, disclosure recipients, and policy makers.
- Cultivate relationships with international partners to enhance information sharing and to be the leader in anti-money laundering supervision and financial intelligence.
- Increase Compliance Program transparency and increase its effectiveness by progressing reporting entity examinations from an audit to an assessment approach.
- Enhance intelligence-led compliance activities to improve the quality of reporting data and support the production of financial intelligence.
- Review policies, processes and legislative authorities related to the administrative monetary penalty regime in order to increase effectiveness in ensuring compliance and encouraging change in behaviours.

Planned results

Expected results	Performance indicators	Target	Date to achieve target	Actual results		
				2013–14	2014–15	2015–16
Non-compliance among reporting entities is detected and addressed.	Percentage of cases where corrective actions taken are commensurate with the level of non-compliance detected.	100%	2017–18	Percentage of cases where some level (limited, significant, or very significant) of non-compliance was detected: 89% Percentage of cases in which corrective action was established to address non-compliance: 100%	Percentage of cases where some level (limited, significant, or very significant) of non-compliance was detected: 90%. Percentage of cases in which corrective action was established to address non-compliance: 100%	Percentage of cases where some level (limited, significant, or very significant) of non-compliance was detected: 96% Percentage of cases in which corrective action was established to address non-compliance: 100%
Entities have access to timely and accurate information.	Percentage of general inquiries answered within established timeframes.	90%	2017–18	Percentage of general enquiries answered within 5 business days: 96.1%	Percentage of general enquiries answered within 5 business days: 84.6%	Percentage of general enquiries answered within 5 business days: 85%

				Percentage of policy interpretation requests answered within 30 business days: 91%	Percentage of policy interpretation requests answered within 30 business days: 94.1%.	Percentage of policy interpretation requests answered within 30 business days: 88%

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2018–19 Planned spending	2019–20 Planned spending
$20,978,489	$22,063,142	$21,101,856	$20,446,038

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2018–19 Planned full-time equivalents	2019–20 Planned full-time equivalents
151	152	147

INTERNAL SERVICES

Description

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Planning highlights

FINTRAC's Internal Services support the Centre's Financial Intelligence and Compliance programs. They are focused on the development and delivery of effective and integrated services, policies, advice and guidance in the fields of finance, human resources, security, communication, procurement, administration, and information management and information technology. The overall objective of the program is to ensure that FINTRAC has the proper capacity, processes and systems to allow its workforce to focus on and perform well in meeting their operational objectives.

Over the planning period, Internal Services will focus on activities that leverage advancements in information technology, enhance the leadership capacity of FINTRAC's workforce, and strengthen the Centre's security posture to ensure that its information, assets and services are protected against compromise. To realize these objectives, FINTRAC will undertake the following activities:

- Continue implementation of the three-year Strategic Human Resource Plan, which articulates the key people management strategies required to address the Centre's current and emerging business needs and challenges.
- Complete implementation of the Centre's 2014 Public Service Employee Survey (PSES) Action Plan and prepare for the data collection and analysis phases of the 2017 survey.
- Continue to collaborate closely with Shared Services Canada and other central agencies to implement new government-wide policies and initiatives, and new information technology infrastructure, systems and services.

- Continue to advance the planning and execution of FINTRAC's transformational Infrastructure Renewal program, with particular focus on conducting a full inventory and health check of the Centre's current infrastructure, consolidation of networks and an analysis of the possible options for FINTRAC's data centre end state.
- Develop innovative mechanisms, including the use of social media, for engagement with key domestic and international partners for the purpose of increasing awareness.
- Implement FINTRAC's Departmental Security Plan to adapt and enhance personnel, physical, and information security programs that are established to protect information, assets, systems, and services.

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2018–19 Planned spending	2019–20 Planned spending
$7,208,111	$7,590,930	$7,207,480	$7,216,249

Human resources (full-time equivalents)

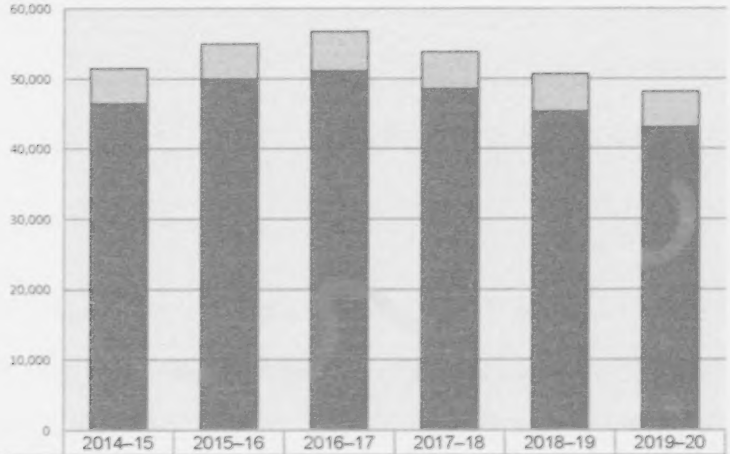
2017–18 Planned full-time equivalents	2018–19 Planned full-time equivalents	2019–20 Planned full-time equivalents
51	51	51

Spending and human resources

Planned spending

(thousands of dollars)

Departmental spending trend graph



	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Sunset Programs – Anticipated	0	0	0	0	0	0
Statutory	4,987	5,059	5,655	5,283	5,298	5,085
Voted	46,418	49,893	51,067	48,495	45,313	43,024
Total	51,404	54,952	56,721	53,778	50,611	48,108

Note: Totals may not add due to rounding

Actual Spending (2014–15 and 2015–16)

The resources available for spending in 2014–15 and 2015–16 were $52,558,499 and $56,316,961, respectively. Resources available for spending increased by $3,758,462 from 2014–15 to 2015–16 primarily as a result of:

- an increase of $0.9M due to funding received for legislative amendments;
- an increase of $2.8M due to funding received for modernization of FINTRAC's analytics system;
- an increase of $0.1M due to adjustments to the Centre's employee benefit plan contributions;
- a decrease of $0.3M due to funding transferred to Shared Services Canada; and
- an increase of $0.2M due to funding received for disclosing to provincial securities regulators.

Actual spending for 2014–15 was $51,404,430 and 2015–16 was $54,952,391.

Forecast Spending (2016–17)
Forecasted spending for 2016–17 is $56,721,396.

FINTRAC's overall spending is expected to increase compared to 2015–16 commensurate with the organization's increase in authorities due to the profile of funds received via Budget 2014. In 2016–17, FINTRAC received $0.3M in additional funds to implement legislative amendments and $2.3M in additional funds to modernize the analytical system compared to 2015–16. FINTRAC has also received $0.4M in additional funds for disclosures to provincial securities regulators compared to 2015–16.

Planned Spending (2017–18 to 2019–20)
Planned spending is expected to be $53,777,678 in 2017–18 and $50,610,932 in 2018–19, a decrease of $3,166,746. Planned spending is lower in 2018–19 primarily due to:

- the exclusion of an estimate for the Operating Budget Carry-Forward ($2.6M); and
- decreased funding via Budget 2014 in 2018–19 ($0.6M)

Planned spending is expected to be $48,108,325 in 2019–20, a decrease of $2,502,607 when compared to 2018–19 planned spending. Planned spending is lower in 2019–20 due to the fact that funding received to implement legislative amendments and to modernize the analytical system ends in 2018–19. Funding received for disclosures to provincial securities regulators also ends in 2018–19.

Budgetary planning summary for Programs and Internal Services (dollars)

Programs and Internal Services	2014–15 Expenditures	2015–16 Expenditures	2016–17 Forecast Spending	2017–18 Main Estimates	2017–18 Planned Spending	2018–19 Planned Spending	2019–2020 Planned Spending
Program 1.1 – Financial Intelligence Program	$20,873,133	$22,081,112	$27,315,092	$23,038,953	$24,123,606	$22,301,596	$20,446,038
Program 1.2 – Compliance Program	$21,678,510	$24,973,253	$22,120,872	$20,978,489	$22,063,142	$21,101,856	$20,446,038
Subtotal	**$42,551,643**	**$47,054,365**	**$49,435,964**	**$44,017,442**	**$46,186,748**	**$43,403,452**	**$40,892,076**
Internal Services Subtotal	$8,852,787	$7,898,026	$7,285,432	$7,208,111	$7,590,930	$7,207,480	$7,216,249
Total	**$51,404,430**	**$54,952,391**	**$56,721,396**	**$51,225,553**	**$53,777,678**	**$50,610,932**	**$48,108,325**

As announced in Budget 2014, FINTRAC received funding to implement legislative amendments and to modernize its analytical system. The approved funding profile for legislative

amendments is $1,747,592 in 2015–16, $2,050,750 in 2016–17, $1,028,014 in 2017–18 and $1,153,168 in 2018–19. The approved funding profile for analytical system modernization is $3,839,764 in 2015–16, $5,907,882 in 2016–17, $1,258,462 in 2017–18 and $538,892 in 2018–19. In Budget 2015, FINTRAC received funding to provide disclosures to provincial securities regulators. The approved funding profile for the initiative is $150,000 in 2015–16, $560,000 in 2016–17, $885,000 in 2017–18 and $869,000 in 2018–19.

Planned spending for FY 2017–18 includes an estimate for the Operating Budget Carry-Forward (OBCF).

Planned human resources

Human resources planning summary for Programs and Internal Services (full-time equivalents)

Programs and Internal Services	2014–15 Full-time equivalents	2015–16 Full-time equivalents	2016–17 Forecast full-time equivalents	2017–18 Planned full-time equivalents	2018–19 Planned full-time equivalents	2019–20 Planned full-time equivalents
Program 1.1 – Financial Intelligence Program	140	136	155	157	157	148
Program 1.2 – Compliance Program	144	150	150	151	152	147
Subtotal	**284**	**286**	**305**	**308**	**309**	**295**
Internal Services Subtotal	53	53	51	51	51	51
Total	**337**	**339**	**356**	**359**	**360**	**346**

Actual FTEs remained consistent in fiscal years 2014–15 and 2015–16.

The number of FTEs is expected to increase in 2016–17. This is mainly due to additional hiring related to funding that was received to implement legislative amendments and to facilitate disclosures to provincial securities regulators as well as the materialization of planned staffing.

Planned FTEs are also expected to increase slightly from 2017–18 to 2018–19. This is due to additional hiring related to funding that was received to implement legislative amendments and to facilitate disclosures to provincial securities regulators. Planned FTEs are expected to decrease in 2019–20 as funding ends.

Estimates by vote

For information on FINTRAC's organizational appropriations, consult the 2017–18 Main Estimates[i].

Future-Oriented Condensed Statement of Operations

The Future-Oriented Condensed Statement of Operations provides a general overview of FINTRAC's operations. The forecast of financial information on expenses and revenues is prepared on an accrual accounting basis to strengthen accountability and to improve transparency and financial management.

Because the Future-Oriented Condensed Statement of Operations is prepared on an accrual accounting basis, and the forecast and planned spending amounts presented in other sections of the Departmental Plan are prepared on an expenditure basis, amounts may differ.

A more detailed Future-Oriented Statement of Operations and associated notes, including a reconciliation of the net cost of operations to the requested authorities, are available on FINTRAC's website[ii].

Future-Oriented Condensed Statement of Operations

for the year ended March 31, 2018 (dollars)

Financial information	2016–17 Forecast results	2017–18 Planned results	Difference (2017–18 Planned results minus 2016–17 Forecast results)
Total expenses	$52,658,773	$55,071,199	$2,412,427
Total revenues	$0	$0	$0
Net cost of operations before government funding and transfers	**$52,658,773**	**$55,071,199**	**$2,412,427**

FINTRAC is projecting approximately $55.1M in expenses based on 2017–18 Main Estimates, estimated allocations from Treasury Board central votes, and accrued information. Amounts for 2017–18 do not include Supplementary Estimates and represent an increase of $2.4M from 2016–17 results. The estimated increase in expenses in 2017–18 is due to the projection of a nil budgetary lapse as well as other technical adjustments. As FINTRAC's revenues consist of only non-respendable amounts for Administrative Monetary Penalties, total revenues are presented as nil.

Supplementary information

Corporate information

Organizational profile

Appropriate minister: The Honourable William Francis Morneau, Minister of Finance

Institutional Head: Gérald Cossette, Director

Ministerial portfolio: Finance

Enabling instrument: Proceeds of Crime (Money Laundering) and Terrorist Financing Act, S.C. 2000, c. 17. (PCMLTFA)

Year of commencement: 2000

Reporting framework

FINTRAC's Strategic Outcome and Program Alignment Architecture (PAA) of record for 2017–18 are shown below:

1. Strategic Outcome: A Canadian financial system resistant to money laundering and terrorist financing

1.1 Program: Financial Intelligence Program
1.2 Program: Compliance Program

Internal Services

Supplementary information tables

The following supplementary information tables are available on FINTRAC's website.

- Upcoming internal audits for the coming fiscal year[iii]

Federal tax expenditures

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures each year in the Report on Federal Tax Expenditures[iv]. This report also provides detailed background information on tax expenditures, including descriptions, objectives, historical information and references to related federal spending programs. The tax measures presented in this report are the responsibility of the Minister of Finance.

Organizational contact information

Financial Transactions and Reports Analysis Centre of Canada
234 Laurier Avenue West
Ottawa, Ontario K1P 1H7
Canada

Telephone: 1-866-346-8722

Fax: 613-943-7931

Website: http://www.fintrac-canafe.gc.ca/intro-eng.asp

Appendix A: definitions

appropriation (crédit)

Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures (dépenses budgétaires)

Operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Core Responsibility (responsabilité essentielle)

An enduring function or role performed by a department. The intentions of the department with respect to a Core Responsibility are reflected in one or more related Departmental Results that the department seeks to contribute to or influence.

Departmental Plan (Plan ministériel)

Provides information on the plans and expected performance of appropriated departments over a three-year period. Departmental Plans are tabled in Parliament each spring.

Departmental Result (résultat ministériel)

A Departmental Result represents the change or changes that the department seeks to influence. A Departmental Result is often outside departments' immediate control, but it should be influenced by program-level outcomes.

Departmental Result Indicator (indicateur de résultat ministériel)

A factor or variable that provides a valid and reliable means to measure or describe progress on a Departmental Result.

Departmental Results Framework (cadre ministériel des résultats)

Consists of the department's Core Responsibilities, Departmental Results and Departmental Result Indicators.

Departmental Results Report (Rapport sur les résultats ministériels)

Provides information on the actual accomplishments against the plans, priorities and expected results set out in the corresponding Departmental Plan.

full-time equivalent (équivalent temps plein)

A measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

government-wide priorities (priorités pangouvernementales)

For the purpose of the 2017–18 Departmental Plan, government-wide priorities refers to those high-level themes outlining the government's agenda in the 2015 Speech from the Throne, namely: Growth for the Middle Class; Open and Transparent Government; A Clean Environment and a Strong Economy; Diversity is Canada's Strength; and Security and Opportunity.

horizontal initiatives (initiative horizontale)

A horizontal initiative is one in which two or more federal organizations, through an approved funding agreement, work toward achieving clearly defined shared outcomes, and which has been designated (e.g. by Cabinet, a central agency, etc.) as a horizontal initiative for managing and reporting purposes.

Management, Resources and Results Structure (Structure de la gestion, des ressources et des résultats)

A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures (dépenses non budgétaires)

Net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance (rendement)

What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve, and how well lessons learned have been identified.

Performance indicator (indicateur de rendement)

A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

Performance reporting (production de rapports sur le rendement)

The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending (dépenses prévues)

For Departmental Plans and Departmental Results Reports, planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their Departmental Plans and Departmental Results Reports.

plans (plan)

The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

Priorities (priorité)

Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program (programme)

A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture (architecture d'alignement des programmes)

A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

results (résultat)

An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

statutory expenditures (dépenses législatives)

Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic Outcome (résultat stratégique)

A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program (programme temporisé)

A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target (cible)

A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

voted expenditures (dépenses votées)

Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

Endnotes

i. **2017–18 Main Estimates**, http://www.tbs-sct.gc.ca/hgw-cgf/finances/pgs-pdg/gepme-pdgbpd/index-eng.asp
ii. **FINTRAC**, http://www.fintrac-canafe.gc.ca/publications/pub-eng.asp
iii. **Upcoming internal audits for the coming fiscal year**, http://www.fintrac-canafe.gc.ca/publications/rpp/2017-2018/ia-vi-eng.asp
iv. **Report on Federal Tax Expenditures**, http://www.fin.gc.ca/purl/taxexp-eng.asp